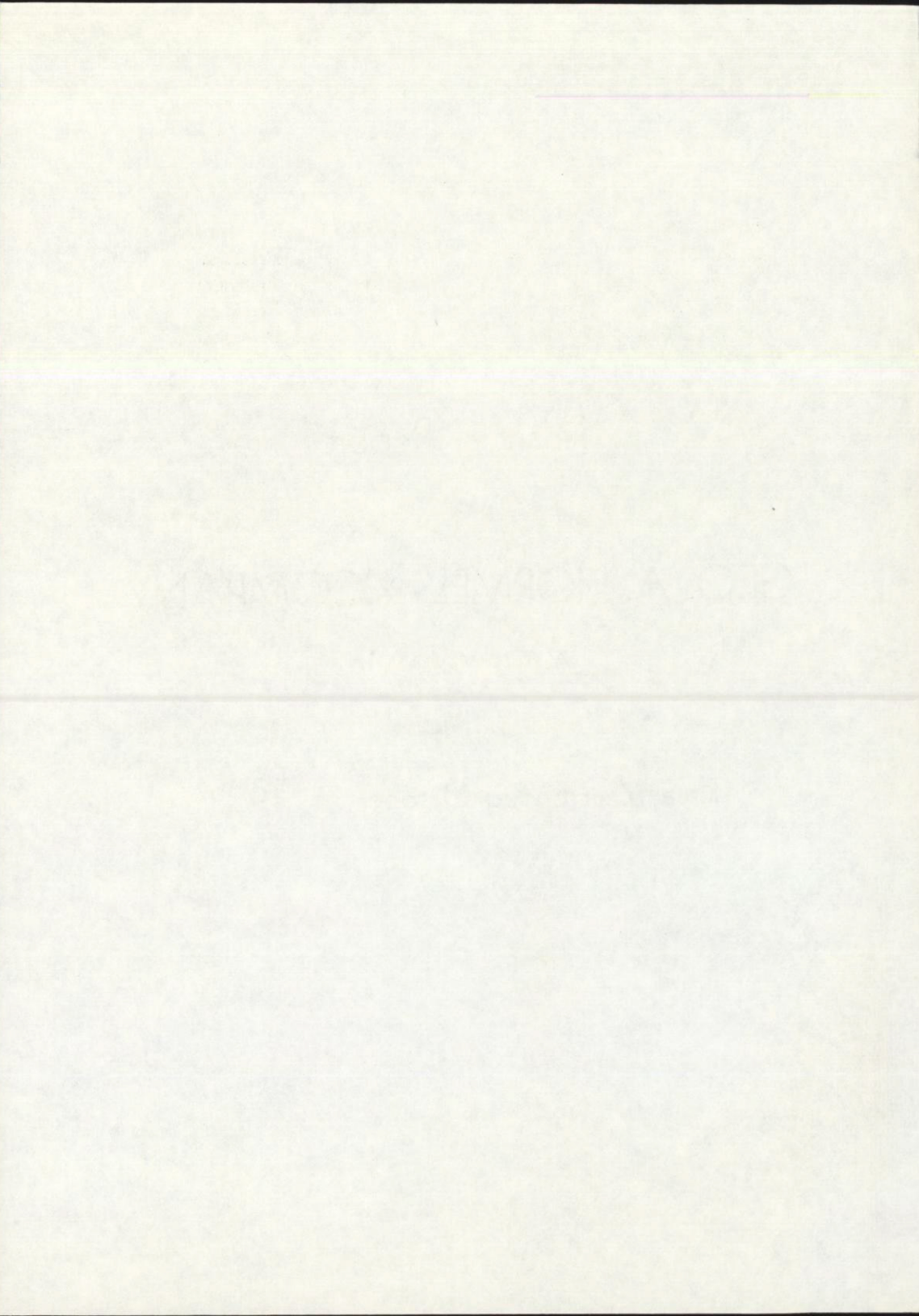


Financial Report  
OF  
GEO. A. HORMEL & COMPANY  
AUSTIN, MINNESOTA  
for the  
Fiscal Year Ended October 25, 1958



## OFFICERS

H. H. Corey	-	-	-	-	-	Chairman of the Board
R. F. Gray	-	-	-	-	-	President
M. B. Thompson	-	-	-	-	-	Executive Vice President
R. D. Arney	-	-	-	-	-	Vice President
E. J. Garrity	-	-	-	-	-	Vice President
R. D. Gower	-	-	-	-	-	Vice President and Controller
T. H. Hocker	-	-	-	-	-	Vice President
John R. Jones	-	-	-	-	-	Vice President
Clarence A. Nockleby	-	-	-	-	-	Vice President
J. L. Olson	-	-	-	-	-	Vice President
Fayette Sherman	-	-	-	-	-	Vice President
Geo. W. Ryan	-	-	-	-	-	Treasurer
I. J. Holton	-	-	-	-	-	Secretary
R. C. Dougherty	-	-	-	-	-	Assistant Secretary
R. H. Biedermann	-	-	-	-	-	Assistant Controller
E. H. Larson	-	-	-	-	-	Assistant Controller



## DIRECTORS

R. D. Arney
R. S. Banfield
H. H. Corey
R. D. Gower
R. F. Gray
T. H. Hocker
O. L. Marquesen
Clarence A. Nockleby
J. L. Olson
Geo. W. Ryan
Fayette Sherman
M. B. Thompson



Austin, Minnesota  
December 1, 1958

To the Stockholders of  
Geo. A. Hormel & Company

The management of your company submits herewith a financial report for the year which ended October 25, 1958.

Dollar sales for the year were the highest in the history of the company — gross sales of \$373,181,153 and, after deducting freight and express, net sales were \$360,959,810, an increase over last year of \$25,889,036, or 7.7%. This dollar sales increase, in the face of a decrease in sales tonnage, is attributable to a more intensified effort by management to process all available raw materials into finished retail and consumer items and to a higher level of prices.

Sales tonnage for the year was 1,001,409,030 pounds, a decrease under last year of 5.5%. It is the fourth consecutive year in which tonnage has exceeded one billion pounds.

After providing for all taxes of \$4,461,956, net earnings for the year were \$3,000,391. Out of these earnings, the sum of \$2,913,667 is applicable to common stock, or \$5.18 per share as compared with \$5.74 a year ago.

The small decrease in earnings and the reduction in sales tonnage quite clearly indicate the difficulty experienced throughout the year in acquiring hogs, cattle and lambs in sufficient numbers and at costs which would permit the company to utilize more fully its procurement and processing facilities and its trained manpower, both production and sales, on a profitable basis. Domestic beef processing materials were constantly in short supply, making it necessary to supplement those supplies with purchases of imported beef in substantial quantities. Moreover, the estimated and expected increase in the supply of hogs did not materialize.

The working capital of the company was \$24,605,813, an increase of \$939,307 over last year. Cash and accounts receivable exceeded current liabilities by \$4,916,788. In view of the competitive need for adjustment of incentive production costs and the uncertainty during the year of economic conditions generally, your management adopted a conservative position on capital expenditures, thereby maintaining a strong working capital position for expansion under anticipated more favorable conditions.

Our plants at Fremont, Nebraska, Fort Dodge, Iowa, Dallas, Texas, and Mitchell, South Dakota, and our processing Branch Houses contributed substantially to company operating results for the year. These units continue to justify fully the capital investment in them.

As in past years, the net profit per dollar of sales this year continues very low as compared with other industries — it being only 8/10 of one cent per dollar of sales and only 30 cents per hundredweight of product sold. It is definitely a responsibility of your management, and of the industry generally, to improve this small margin of profit, not only to assure the continued operation of the business, but also to grow in proportion to the demand for meats by a constantly increasing population.



We continue to price our inventory at the lower of cost or market.

Dividend distributions for the year were \$1,493,349, consisting of regular dividends of \$6.00 a share on the preferred stock and \$2.50 a share on common stock. A continuous thirty year dividend paying record has now been completed by the company.

For the twentieth consecutive year, a joint earnings distribution was made to eligible employees. The sum this year was \$901,422 or 1.059 checks, based on a 40-hour week. In addition, the sum of \$1,250,000 will be paid for the employees' pension plans for the year.

Pursuant to negotiated union agreements, cost of living increases became effective on January 6, 1958, and July 7, 1958, each in the amount of 4¢ per hour. In addition, a general wage increase of 7½¢ an hour became effective on September 1, 1958. Wage increases, commencing with October 1, 1956, have amounted to a total of 38 cents per hour, exclusive of bracketing increases and adjustments.

The company continued its practice of making an advance payment of \$1,200,000 on the term loan, reducing the balance to \$7,200,000, with no payment due until November 15, 1959. Other than this term loan, the company had no borrowed money at the end of the year.

Management is happy to report a substantial increase in the number of stockholders in the last few years. The investors in the company now aggregate 2,751 persons, an increase of 383 in the last five years and 603 in ten years.

The company has continued its basic national advertising program on a conservative basis, supplemented by selected sectional advertising of principal products.

With the recognized improvement in business conditions during the last few months and the prevailing optimism for a continuing recovery from the leveling-out or adjustment period, your company starts the new year with full confidence in its production, sales and administrative personnel to continue the progress that our stockholders, our livestock suppliers and our customers expect. Present estimates indicate a larger supply of hogs for the coming year. Live-stock feed supplies are abundant. Feeding ratios are conducive to increased production. Your company is in a position to move forward aggressively with the national economy.

Park Dougherty, Vice President and Director of the company for many years, retired in December of 1957. He continues as a Member of The Hormel Foundation.

Management again expresses its sincere appreciation for the support and cooperation of the people of our organization, our customers, our livestock producers and our stockholders.

H. H. COREY  
Chairman of the Board

R. F. GRAY  
President

# Geo. A. Hormel & Company

## Statement of Financial Position

October 25, 1958

### CURRENT ASSETS

Cash	\$ 9,086,586
Accounts receivable, less allowance of \$100,000	15,460,111
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market	19,499,205
Prepaid insurance and other expenses	189,820

Total Current Assets \$44,235,722

### CURRENT LIABILITIES

Accounts payable and accrued expenses, including pay rolls, pension trust contributions, etc.	\$16,821,066
Dividends payable November 15	373,337
Federal taxes on income—estimated	2,435,506

Total Current Liabilities 19,629,909

WORKING CAPITAL \$24,605,813

INVESTMENTS at cost 105,000

### PROPERTY, PLANT AND EQUIPMENT on the basis of cost

Land	\$ 390,596
Buildings (\$17,613,485) and equipment	\$38,165,569
Less allowances for depreciation	20,132,314
	18,033,255
Movable equipment — inventoried at cost, less depreciation	702,148

19,125,999  
\$43,836,812

### LONG-TERM DEBT

Unsecured notes payable to banks, \$1,200,000 due annually on November 15, 1959 through 1963, and on June 30, 1964	7,200,000
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STOCKHOLDERS' INVESTMENT (excess of assets over liabilities)—see opposite page—  
\$36,636,812



# pany — Austin, Minnesota

## Statement of Stockholders' Investment

*Fiscal Year Ended October 25, 1958*

### CAPITAL STOCK—no change during the year

Preferred Stock, cumulative, par value \$100  
a share:

Authorized 48,935 shares

Issued and outstanding 14,454 shares —

Series A, 6%, callable at \$105 a share---

\$ 1,445,400

Common Stock, par value \$15 a share:

Authorized 600,000 shares

Issued and outstanding 562,650 shares --

\$ 8,439,750

Capital in excess of par value -----

1,790,250

10,230,000

Total at October 25, 1958

\$11,675,400

### EARNINGS REINVESTED IN BUSINESS

(in addition to amounts transferred to  
common stock)

Balance October 27, 1957 -----

\$23,454,370

Net earnings for the year -----

3,000,391

\$26,454,761

Deduct cash dividends:

On preferred stock—

\$6.00 a share ----- \$ 86,724

On common stock—

\$2.50 a share ----- 1,406,625

1,493,349

Balance October 25, 1958 (under provisions  
of long-term debt agreement \$16,005,620  
not available for cash distributions on com-  
mon stock) -----

24,961,412

### TOTAL STOCKHOLDERS' INVESTMENT

\$36,636,812

STATEMENT OF EARNINGS  
Geo. A. Hormel & Company

*Fiscal Year Ended October 25, 1958*

SALES (less returns and allowances) -----	\$373,181,153		
Less freight and express -----	12,221,343		
NET SALES -----			\$360,959,810
COSTS, EXPENSES AND TAXES			
Cost of products sold, selling, administrative and general expenses, exclusive of items shown separately -----	\$287,157,168		
Provision for depreciation -----	2,105,291		
Sundry charges (including interest expense of \$592,085) less sundry income-----	406,527		
Wage costs:			
Wages and salaries, including joint earnings \$ 59,329,422			
Pension trust contributions -----	1,250,000		
Federal and state unemployment and old age contributions -----	998,418		
Group life, hospitalization and sick leave --	2,250,637	63,828,477	
Taxes:			
State income, property and other taxes -----	\$ 1,461,956		
Federal taxes on income—estimated -----	3,000,000	4,461,956	357,959,419
NET EARNINGS -----			<u>\$ 3,000,391</u>



# FINANCIAL INFORMATION

(In thousands of dollars)

	This year (1958)	Last year (1957)	5 years ago (1953)	10 years ago (1948)
Net sales -----	\$360,960	\$335,071	\$313,483	\$265,418
Net earnings -----	3,000	3,315	3,020	3,779
Wage costs -----	63,828	61,357	46,084	29,176
Total taxes -----	4,462	4,336	4,340	3,139
Depreciation -----	2,105	2,061	1,723	1,052
Properties (net) --	19,126	19,863	19,588	10,744
Working capital --	24,606	23,667	11,635	10,717
Stockholders' investment -----	36,637	35,130	26,624	21,810

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Sales tonnage (million pounds)	1,001	1,060	946	697
Net earnings to:				
Net sales -----	0.8%	1.0%	1.0%	1.4%
Sales tonnage (cwt.) -----	30¢	31¢	32¢	54¢
Per share earnings on common stock (adjusted) -----	\$5.18	\$5.74	\$5.21	\$6.56

## ACCOUNTANTS' REPORT

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To the Board of Directors  
Geo. A. Hormel & Company  
Austin, Minnesota

We have examined the financial statements of Geo. A. Hormel & Company for the fiscal year ended October 25, 1958. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Statements of Financial Position, Earnings, and Stockholders' Investment present fairly the financial position of Geo. A. Hormel & Company at October 25, 1958 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST  
Certified Public Accountants

Minneapolis, Minnesota  
November 18, 1958



